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**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA**

PEOPLE OF THE STATE OF CALIFORNIA
ex rel. Xavier Becerra, Attorney General of
California,

Plaintiff,

v.

UNITED STATES DEPARTMENT OF
EDUCATION and BETSY DEVOS, in her
official capacity as Secretary of Education

Defendants.

No. 3:17-cv-7106-SK

**DEFENDANTS' AMENDED ANSWER TO
PLAINTIFF'S FIRST AMENDED
COMPLAINT**

1 Pursuant to Federal Rule of Civil Procedure 15(a)(2), Defendants the United States
2 Department of Education (the “Department”) and Elisabeth DeVos, in her official capacity as
3 Secretary of Education (“Secretary”), with Plaintiff’s consent, hereby file an amended answer to
4 Plaintiff’s First Amended Complaint for Declaratory and Injunctive Relief, ECF No. 37
5 (“FAC”). Defendants note that this Court’s review in this action is limited solely to the
6 administrative record, rather than the allegations of the parties in their respective pleadings.
7 Defendants answer the number paragraphs of the FAC as follows:

8 1. This paragraph consists of legal conclusions to which no response is required. To
9 the extent that a response is deemed required, denied.

10 2. Defendants admit that in 2015 and 2016, the Department found that Corinthian
11 Colleges, Inc. (“Corinthian”) had systemically misrepresented the rates at which its graduates
12 were employed (*i.e.*, its “job placement rates”) across a number of its campuses nationwide.
13 The Department published on its website lists of Corinthian campuses and academic programs
14 covered by these findings, as well as the range of dates to which the findings apply at each
15 program (“findings cohorts”). The Department also created “attestation forms,” which allowed
16 borrowers who attended Corinthian programs covered by the findings cohorts to apply for
17 student loan debt relief under the Department’s borrower defense regulation by providing certain
18 information about the program they attended and their reliance on the program’s representations
19 regarding job placement rates. Defendants lack knowledge or information sufficient to form a
20 belief about the truth of the allegations that the “some 80,000 student borrowers nationwide—
21 including more than 38,000 in California” were covered by the Department’s findings.
22 Defendants otherwise deny the allegations in this paragraph.

23 3. As to the first sentence, Defendants admit that the Department created “attestation
24 forms,” which allowed borrowers who attended Corinthian programs covered by the job
25 placement rate findings to apply for a borrower defense discharge by providing certain
26 information about the program they attended and their reliance on the program’s representations
27 regarding job placement rates; otherwise denied. As to the second sentence, Defendants admit
28 the Department encouraged Corinthian borrowers covered by the Department’s job placement

rate findings to apply for student loan debt relief under the Department’s borrower defense regulation. Further, Defendants are aware that the California Attorney General’s Office, some institutions of higher education, and other entities engaged in outreach efforts but lack knowledge or information sufficient to form a belief about the truth of the allegations concerning the extent of those outreach efforts. The third sentence is admitted.

4. Insofar as the terms “abruptly halted” and “approving” are undefined and vague in this context, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in the first sentence. With respect to the second sentence, admit that Plaintiff filed its initial complaint in this case on December 14, 2017, and that on December 20, 2017, the Department announced an “improved discharge process for borrower defense to repayment [] claims.” *See* U.S. Department of Education, Improved Borrower Defense Discharge Process Press Release (December 20, 2017) (“December Press Release”).¹ Otherwise, denied.

5. With respect to the first sentence, admit that on December 20, 2017, the Department announced an “improved discharge process for borrower defense to repayment [] claims, *see* December Press Release, pursuant to which the Department would afford borrower defense relief based on the harm Corinthian borrowers actually incurred as a result of their school’s misconduct, measured by comparing the average earnings of graduates of Corinthian programs with the average earnings of completers of comparable programs that the Department determined met its “gainful employment” requirement. The second sentence consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied. With respect to the third sentence, admit that the new discharge process applies to Corinthian borrowers who submitted claims prior to December 20, 2017.

6. The first sentence consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied. As to the second and third sentences, admit that tens of thousands of Corinthian students who submitted borrower defense applications

¹ *See* <https://www.ed.gov/news/press-releases/improved-borrower-defense-discharge-process-will-aid-defrauded-borrowers-protect-taxpayers>.

1 have been waiting more than 18 months for adjudications of their applications, and that the
2 backlog of borrower defense claims has grown since the FAC was filed.

3 7. This paragraph consists of legal conclusions to which no response is required. To
4 the extent that a response is deemed required, denied.

5 8. Admit that on May 25, 2018, this Court entered an Order in *Manriquez v. DeVos*,
6 3:17-cv-7210, granting in part and denying in part the plaintiffs' motion for a preliminary
7 injunction "to prevent the Secretary from using" the discharge process announced in the
8 December Press Release. Defendants respectfully refer the Court to that Order for a full and
9 accurate statement of its contents. With respect to the second sentence, Defendants admit that, at
10 the time Plaintiff filed its FAC on July 27, 2018, the Department was not issuing final decisions
11 on borrower defense applications from students covered by the *Manriquez* preliminary
12 injunction, pending the Ninth Circuit's decision on the Department's appeal of the Preliminary
13 Injunction Order. Otherwise, denied.

14 9. This paragraph consists of legal conclusions to which no response is required. To
15 the extent that a response is deemed required, deny that the Department established or
16 implemented a "rule" requiring it to provide "full debt relief" to Corinthian borrowers or that the
17 Department violated the APA.

18 10. This paragraph consists of legal conclusions to which no response is required. To
19 the extent that a response is deemed required, denied.

20 11. This paragraph relates to claims that have been dismissed and thus no response is
21 required

22 12. This paragraph consists of legal conclusions to which no response is required.

23 13. This paragraph consists of legal conclusions to which no response is required.

24 14. This paragraph consists of legal conclusions to which no response is required.

25 15. The first sentence consists of legal conclusions to which no response is required.
26 Defendants admit the second and third sentences.

27 16. This paragraph consists of Plaintiff's characterization of this lawsuit and legal
28 conclusions to which no response is required.

1 17. Admit.

2 18. Admit.

3 19. As to the first sentence, Defendants admit that students who meet the eligibility
4 criteria under Title IV of the Higher Education Act of 1965, as amended (“HEA”), 20 U.S.C.
5 § 1070 et seq., may receive certain types of federal financial assistance, which may include
6 grants, work-study funds, and federal student loans; to the extent that any further response is
7 deemed required, denied. Insofar as the terms “critical” and “those who could not otherwise
8 afford it” are vague and undefined in this context, Defendants lack knowledge or information
9 sufficient to form a belief about the truth of the allegations in the second sentence.

10 20. The first three sentences of this paragraph consist of legal conclusions to which
11 no response is required. To the extent that a response is deemed required, Defendants admit that
12 Plaintiff accurately quotes the HEA and respectfully refer the Court to the cited provisions for a
13 full and accurate statement of their contents. The fourth sentence is admitted.

14 21. The first sentence is admitted. Insofar as “the vast majority” is undefined and
15 vague in this context, Defendants lack knowledge or information sufficient to form a belief about
16 the truth of the allegations in the second sentence. The third and fourth sentences are admitted;
17 Defendants respectfully refer the Court to the document cited in footnotes 1 and 2 of the FAC for
18 a full and accurate statement of its contents.

19 22. Insofar as “typically,” “many,” and “in many instances” are vague and undefined
20 in this context, Defendants lack knowledge or information sufficient to form a belief about the
21 truth of the allegations in this paragraph.

22 23. This paragraph consists of legal conclusions to which no response is required. To
23 the extent that a response is deemed required, Defendants admit that Plaintiff accurately quotes
24 the HEA and respectfully refer the Court to the cited provision for a full and accurate statement
25 of its contents.

26 24. This paragraph consists of legal conclusions to which no response is required. To
27 the extent that a response is deemed required, Defendants admit that the Department
28 promulgated a regulation, effective 1995, addressing, among other things, the circumstances in

1 which a federal Direct Loan borrower can assert a defense to repayment and that Plaintiff
2 accurately quotes that regulation. Defendants respectfully refer the Court to the cited regulation
3 for a full and accurate statement of its contents.

4 25. This paragraph consists of legal conclusions to which no response is required. To
5 the extent that a response is deemed required, Defendants admit that Plaintiff accurately quotes
6 the Department's 1995 borrower defense regulation and respectfully refer the Court to the cited
7 regulation for a full and accurate statement of its contents.

8 26. This paragraph consists of legal conclusions to which no response is required. To
9 the extent that a response is deemed required, Defendants admit that the quoted material appears
10 in Direct Loan borrowers' Master Promissory Note and respectfully refer the Court to that
11 document for a full and accurate statement of its contents.

12 27. This paragraph consists of legal conclusions to which no response is required. To
13 the extent that a response is deemed required, Defendants admit that Plaintiff accurately quotes
14 the Department's 1995 borrower defense regulation and respectfully refer the Court to the cited
15 regulation for a full and accurate statement of its contents.

16 28. The first sentence is admitted. The second sentence consists of legal conclusions
17 to which no response is required. To the extent that a response is deemed required, admit that
18 neither the Department's authorizing statutes, nor the HEA generally, explicitly authorize the
19 Department to adopt regulations specify which "acts or omissions of an institution of higher
20 education a borrower may assert as a defense to repayment of a loan made under [the Direct
21 Loan Program]," 20 U.S.C. § 1087e(h), that may have retroactive effect. Insofar as the phrase
22 "retroactive rules" is ambiguous and undefined in this context, Defendants otherwise lack
23 knowledge or information sufficient to form a belief about the truth of the remaining allegations
24 in this paragraph.

25 29. This paragraph consists of legal conclusions to which no response is required. To
26 the extent a response is deemed required, Defendants lack knowledge or information sufficient to
27 form a belief about the truth of the allegations regarding "the loans at issue in this case"; that
28

1 phrase is vague and undefined in this context because Plaintiff is not a direct loan borrower and
2 purportedly brings this action to remedy alleged harms to unidentified student borrowers.

3 30. Defendants lack knowledge or information sufficient to form a belief about the
4 truth of the allegations in the first sentence. As to the second and third sentences, admit that
5 Corinthian once operated more than 100 campuses, including more than 30 in California, and
6 that it enrolled hundreds of thousands of students. As to the fourth sentence, Defendants admit
7 that Corinthian made representations to prospective students about the employment prospects
8 associated with a Corinthian degree.

9 31. Defendants lack knowledge or information sufficient to form a belief about the
10 truth of the allegations in this paragraph.

11 32. Admit that the California Attorney General filed an enforcement action against
12 Corinthian in October 2013, and that other states and federal agencies subsequently filed actions
13 against Corinthian. Defendants refer the Court to the cited documents for a full and accurate
14 statement of their contents.

15 33. Defendants admit that in November 2014, Corinthian agreed to sell 53 of its
16 campuses. Defendants otherwise lack knowledge or information sufficient to form a belief about
17 the truth of the remaining allegations in this paragraph.

18 34. As to the first sentence, Defendants admit that the Department issued a press
19 release on April 14, 2015, cited in footnote 4 of the FAC, in which the Department concluded
20 that it “has confirmed cases of misrepresentation of job placement rates to current and
21 prospective students in Corinthian's Heald College system. The Department found 947 misstated
22 placement rates and informed the company it is being fined about \$30 million.” Defendants
23 admit that the material quoted in the second sentence appears in the April 14, 2015 press release,
24 and respectfully refer the Court to that press release for a full and accurate statement of its
25 contents.

26 35. Admit.

27 36. Admit.

28 37. Admit that default judgment was entered against Corinthian on March 23, 2016.

1 Defendants respectfully refer the Court to the default judgment for a full and accurate statement
2 of its contents.

3 38. The first sentence consists of Plaintiff's characterization of a prior lawsuit to
4 which no response is required; to the extent that a response is deemed required, Defendants lack
5 knowledge or information sufficient to form a belief about the truth of the allegations in this
6 sentence. As to the second, third, fourth, and fifth sentences, admit that the California Superior
7 Court entered default judgment against Corinthian; Defendants respectfully refer to the Court to
8 the default judgment for a full and accurate statement of its contents.

9 39. This paragraph consists of legal conclusions to which no response is required. To
10 the extent that a response is deemed required, as to the second sentence, Defendants admit that
11 state courts lack authority to provide or order the Department to provide administrative
12 discharges available to borrowers under the HEA, and that state courts lack jurisdiction to order
13 Defendants to find that a federal student loan is invalid, if the Department is the holder of the
14 federal student loan; otherwise denied. Defendants lack knowledge or information sufficient to
15 form a belief about the truth of the remainder of the allegations in this paragraph

16 40. Admit that at the time that Corinthian declared bankruptcy, the Department's
17 borrower defense regulation, 34 C.F.R. § 685.206(c), allowed student borrowers to "assert as a
18 defense to repayment . . . any act or omission of the school attended by the by the student that
19 would give rise to a cause of action against the school under applicable State law."

20 41. Defendants admit that the quoted material appears in the document cited in
21 footnote 5 and 6 of the FAC and respectfully refer the Court to the cited document for a full and
22 accurate statement of its contents.

23 42. Defendants admit that the quoted material appears in the Department "Fact Sheet"
24 cited in footnote 7 of the FAC. Defendants respectfully refer the Court to the cited document for
25 a full and accurate statement of its contents.

26 43. This paragraph consists of legal conclusions to which no response is required. To
27 the extent that a response is deemed required, Defendants deny that the Department "formulated
28 and adopted" a "Corinthian Full-Relief Rule," as defined by Plaintiff, or determined that any

1 borrower was “entitle[d]” to “full relief” or any other relief before receiving an attestation form
2 from that borrower and adjudicating his or her claim.

3 44. This paragraph consists of legal conclusions to which no response is required. To
4 the extent that a response is deemed required, Defendants deny that the Department established a
5 “Corinthian Full-Relief Rule,” as defined by Plaintiff.

6 45. This paragraph consists of legal conclusions to which no response is required. To
7 the extent that a response is deemed required, admit that the quoted material appears in the
8 January 9, 2017 memorandum, which Plaintiff has attached as Exhibit A to its Motion to
9 Complete the Administrative Record, *see* ECF No. 66-2. Defendants deny that the quoted
10 language, which refers, on its face, to “Corinthian borrower defense . . . applicants who submit
11 ‘guaranteed employment allegations,’” establishes that the Department’s Borrower Defense Unit
12 “determined that full relief was appropriate for all borrowers covered by the Corinthian Fraud
13 Findings,” a group that Plaintiff defines in reference to Corinthian’s “misrepresented job-
14 placement rates,” not Corinthian’s representations regarding guaranteed employment, *see* FAC
15 ¶ 43. To the extent the allegations in this paragraph seek to characterize portions of the
16 memorandum that have not been publicly released, Defendants can neither confirm nor deny
17 them because to do so would reveal information protected by privilege, including the attorney-
18 client privilege.

19 46. This paragraph consists of legal conclusions to which no response is required. To
20 the extent that a response is deemed required, admit that the quoted material appears in an
21 unredacted section heading in the January 9, 2017 memorandum, which Plaintiff has attached as
22 Exhibit A to its Motion to Complete the Administrative Record, *see* ECF No. 66-2. As to the
23 remaining allegations of this paragraph, including those relating to the contents of that “section”
24 and the “legal analysis” or “determination[s]” contained therein, Defendants can neither confirm
25 nor deny them because to do so would reveal information protected by privilege, including the
26 attorney-client privilege.

27 47. This paragraph consists of legal conclusions to which no response is required. To
28 the extent that a response is deemed required, denied.

1 48. Defendants admit that the Department announced publicly its findings that
2 Corinthian systematically misrepresented its job placement rates across a number of its campuses
3 nationwide. Defendants deny that the Department adopted a “Corinthian Full-Relief Rule,” as
4 defined by Plaintiff.

5 49. Defendants admit that on June 8, 2015, the Department issued a press release
6 announcing its findings regarding Corinthian’s misrepresented job placement rates. Defendants
7 respectfully refer the Court to the cited press release for a full and accurate statement of its
8 contents, and deny that the Department adopted a “Corinthian Full-Relief Rule,” as defined by
9 Plaintiff.

10 50. Defendants admit that on November 17, 2015, the Department issued a press
11 release announcing additional findings regarding Corinthian’s misrepresented job placement
12 rates. Defendants respectfully refer the Court to the cited press release for a full and accurate
13 statement of its contents, and deny that the Department adopted a “Corinthian Full-Relief Rule,”
14 as defined by Plaintiff.

15 51. Defendants admit that on March 25, 2016, the Department issued a press release
16 announcing additional findings regarding Corinthian’s misrepresented job placement rates.
17 Defendants respectfully refer the Court to the cited press release for a full and accurate statement
18 of its contents, and deny that the Department adopted a “Corinthian Full-Relief Rule,” as defined
19 by Plaintiff.

20 52. The first sentence of this paragraph consists of legal conclusions to which no
21 response is required. To the extent that a response is deemed required, Defendants deny that the
22 Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff. Defendants lack
23 knowledge or information sufficient to form a belief about the truth of the allegations in the
24 second sentence.

25 53. This paragraph consists of legal conclusions to which no response is required. To
26 the extent that a response is deemed required, Defendants admit that the Department created
27 “attestation forms” allowing affected borrowers in Corinthian programs covered by the
28 Department’s job placement rate findings to apply for a borrower defense loan discharge, and

1 respectfully refer the Court to the cited attestation forms for a full and accurate statement of their
2 contents. Defendants deny that the Department established or “implement[ed]” a “Corinthian
3 Full-Relief Rule,” as defined by Plaintiff.

4 54. Admit.

5 55. Defendants admit the first sentence of this paragraph. The second sentence
6 contains a legal conclusion to which no response is required. To the extent that a response is
7 deemed required, admit that the quoted material appears in the cited “request” to the Office of
8 Management and Budget and respectfully refer the Court to that document for a full and accurate
9 statement of its contents.

10 56. Defendants admit that the quoted material appears in the Special Master report
11 cited in footnote 13 of the FAC, and respectfully refer the Court to the cited document for a full
12 and accurate statement of its contents.

13 57. This paragraph consists of legal conclusions to which no response is required. To
14 the extent that a response is deemed required, Defendants deny the first sentence; Defendants
15 deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff. As
16 to the second and third sentences, deny.

17 58. Deny.

18 59. Defendants admit that the quoted material appears in the Fact Sheet cited in
19 footnote 14 of the FAC, and respectfully refer the Court to the cited document for a full and
20 accurate statement of its contents. Defendants deny this paragraph to the extent it purports to
21 allege an “example” of the “existence,” “specifics,” or “operation” of the “Corinthian Full-Relief
22 Rule,” as defined by Plaintiff. *See* FAC ¶ 58.

23 60. Defendants admit that the quoted material appears in the Special Master Report
24 cited in footnotes 15 and 16 of the FAC, and respectfully refer the Court to the cited document
25 for a full and accurate statement of its contents.

26 61. Defendants admit that the quoted material appears in the Special Master Report
27 cited in footnote 17 of the FAC, and respectfully refer the Court to the cited document for a full
28 and accurate statement of its contents.

62. Defendants admit that the quoted material appears in the Special Master Report cited in footnote 17 of the FAC, and respectfully refer the Court to the cited document for a full and accurate statement of its contents.

63. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants admit that the quoted material appears in the Office of Inspector General report cited in footnote 18 of the FAC and respectfully refer the Court to the cited document for a full and accurate statement of its contents.

64. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants admit that the quoted material appears in the Department blog post cited in footnote 19 of the FAC, and respectfully refer the Court to the cited document for a full and accurate statement of its contents. To the extent the phrase “[n]umerous additional public statements by ED” refers to documents other than the document cited in footnote 19 of the FAC, it is vague and undefined in this context. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

65. Defendants admit that the Department sent decision letters to some approved Corinthian borrower defense claimants stating that the claimant’s claim had met the requirements of a successful borrower defense claim, the claimant’s federal student Direct Loans received for the programs of study related to those acts or omissions would be discharged, and that the claimant’s servicer would be notified. For other borrowers, servicers sent decision letters directly. To the extent that a further response is deemed required, Defendants refer the Court to the cited document for a full and accurate statement of its contents.

66. Defendants admit that loan servicers sent notices to borrowers whose loans had been discharged that contain the language quoted in this paragraph, and refer the Court to the cited document for a full and accurate statement of its contents.

67. Defendants admit that the quoted material appears at the URL cited in footnote 22 of the FAC, and respectfully refer the Court to the cited website for a full and accurate statement of its contents.

1 68. As to the first sentence, deny. As to the second sentence, admit that between June
2 2015 and January 20, 2017, the Department approved 28,000 borrower-defense claims,
3 discharged the full amount of each of the relevant loans, and refunded any amounts paid.

4 69. Defendants admit that the Department has encouraged borrowers covered by the
5 Department's Corinthian job placement rate findings to apply for student loan debt relief
6 pursuant to the Department's borrower defense regulation, and lack knowledge or information
7 sufficient to form a belief as to the truth of the allegations about the extent of the "outreach
8 efforts" of "the California Attorney General's Office, California's public colleges and
9 universities, and others." Defendants deny that the Department established a "Corinthian Full-
10 Relief Rule," as defined by Plaintiff.

11 70. Defendants admit the Department possesses some of the information identified in
12 the second sentence and that in 2016, pursuant to relevant legal protections, Defendants shared
13 this data with the California Attorney General's office. Further admit that the Department had
14 agreements in place to share such data with 46 other states and the District of Columbia and did
15 share such data with some, if not all, of those states. Defendants lack knowledge or information
16 sufficient to form a belief about the truth of the allegations that "outreach efforts" of the
17 California Attorney General's Office, California's public colleges and universities, and others
18 were aided by the Department's possessing this information, or that the states spent "significant"
19 time and resources "paring down" this data. Defendants admit the Department received from
20 some of the states that it had agreements with, as discussed in the first sentence of this paragraph,
21 the identities of specific students who attended programs covered by the Corinthian job
22 placement rate findings. Otherwise, denied.

23 71. As to the first sentence, Defendants admit that the Department has encouraged
24 borrowers covered by the Department's Corinthian job placement rate findings to apply for
25 student loan debt relief pursuant to the Department's borrower defense regulation, and deny that
26 the Department established a "Corinthian Full-Relief Rule," as defined by Plaintiff. As to the
27 second and third sentences, admit.

72. Insofar as it is unclear what document Plaintiff is quoting from in this paragraph, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph.

73. Insofar as it is unclear what document Plaintiff is quoting from in this paragraph, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph.

74. Defendants admit that the quoted materials appears in the press release cited in footnote 23 of the FAC, and respectfully refer the Court to that document for a full and accurate statement of its contents.

75. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in the first and third sentences. As to the second sentence, Defendants are aware that a group of 47 states, including California, retained a settlement administrator, but otherwise lack knowledge or information sufficient to form a belief about the truth of the remaining allegations.

76. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph.

77. Insofar as the term “eligible for relief” is vague in this context, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph.

78. The paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

79. As to the first sentence, Defendants admit that as of late 2015, the Department was considering borrower-defense claims from Corinthian students, and that it approved many borrower defense applications from Corinthian students. As to the second sentence, admit that the Special Master issued a report on December 3, 2015 which noted that “1,312 borrower claims . . . qualified for BD relief” and that the Special Master had recommended that the Under Secretary of Education “authorize full relief (restitution of all amounts paid) for such loans.” Defendants deny the remaining allegations in the second sentence and deny that the Department

established a “Corinthian Full-Relief Rule,” as defined by Plaintiff. With respect to the third and fourth sentences, Defendants admit that the Under Secretary authorized the relief described in the Special Master Report cited in footnote 24 of the FAC and that California residents submitted 1,062 of the approved claims. Defendants admit the allegations in the fifth sentence. As to the sixth sentence, Defendants admit that the Special Master recommended approval of 3,787 borrower-defense claims brought by Corinthian students, and that in each of these cases the student had all of his or her relevant loans discharged and was refunded any amounts paid to attend the Corinthian program, but deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff. Defendants otherwise deny the allegations in this paragraph.

80. Admit.

81. Defendants admit that the office of Federal Student Aid (“FSA”) Enforcement Office issued a report on borrower defense on October 28, 2016. Defendants respectfully refer the Court to that report for a full and accurate statement of its contents. Defendants deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff, and deny the allegation that borrower defense claims were approved “under the Corinthian Full-Relief Rule.”

82. Defendants admit that the Department made an announcement regarding its processing of borrower defense claims on January 13, 2017, and respectfully refer the Court to that announcement for a full and accurate statement of its contents. Further admit that as of January 13, 2017, the Department had approved approximately 28,000 borrower defense claims filed by Corinthian students based on Corinthian’s misleading job placement rates, and that, for these successful claimants, the Department discharged the relevant student loan debts and refunded any amounts paid to attend the Corinthian program.

83. Defendants admit that prior to January 20, 2017, the Department discharged relevant student loan debts of, and refunded amounts paid to attend Corinthian programs to, Corinthian students who the Department could verify were covered by its findings regarding Corinthian’s misleading job placement rates. Defendants deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff, and deny the allegation that the

1 Department's borrower defense relief determinations were made "[i]n accordance with the
2 Corinthian Full-Relief Rule."

3 84. Admit.

4 85. Insofar as the terms "abruptly halted" and "approval" are undefined and vague in
5 this context, Defendants lack knowledge or information sufficient to form a belief about the truth
6 of the allegations in this sentence; otherwise admit that the Department did not finally approve
7 any borrower defense claims between January 20, 2017 and December 20, 2017.

8 86. Admit.

9 87. Admit.

10 88. Defendants admit that the quoted material appears in the document cited in
11 footnote 31 and respectfully refer the Court to that document for a full and accurate statement of
12 its contents.

13 89. Admit.

14 90. Defendants admit that the Department has data concerning the number of students
15 who attended programs in the findings cohorts. Defendants deny that the Department established
16 a "Corinthian Full-Relief Rule," as defined by Plaintiff, and deny any contention that any
17 borrower is "eligible for discharge" under such a "Rule."

18 91. This paragraph consists of legal conclusions to which no response is required. To
19 the extent that a response is deemed required, denied.

20 92. Defendants admit that the Department received a letter, dated May 17, 2017, from
21 five Senators and another letter, dated June 5, 2017 from certain state attorneys general.
22 Defendants respectfully refer the Court to these letters for full and accurate statements of their
23 contents.

24 93. Defendants admit that the Department responded to the letters cited in paragraph
25 92 of the FAC, and respectfully refer the Court to those responses for full and accurate
26 statements of their contents.

1 94. Defendants admit that the quoted material appears in the Senate report cited in
2 footnotes 32 and 33 of the FAC, and respectfully refer the Court to that document for a full and
3 accurate statement of its contents.

4 95. Insofar as the terms “broadly evinced support” and “hostility” are vague in this
5 context, Defendants lack knowledge or information sufficient to form a belief about the truth of
6 the allegations in the first sentence. As to the remaining allegations in this paragraph,
7 Defendants admit that the Department issued a press release on June 14, 2017 announcing a
8 “regulatory reset to protect students, taxpayers, [and] higher ed institutions,” and respectfully
9 refer to the Court to that press release for a full and accurate statement of its contents.

10 96. Defendants admit that the Secretary spoke at the “Mackinac Republican
11 Leadership Conference” on September 22, 2017. Defendants respectfully refer the Court to that
12 speech for a full and accurate statement of its contents.

13 97. Defendants admit that the Department published a notice of proposed rulemaking
14 and an interim final rule in the Federal Register on October 24, 2017, and respectfully refer the
15 Court to those documents, cited in footnotes 36 and 37 of the FAC, for a full and accurate
16 statement of their contents.

17 98. As to the first sentence, Defendants admit that the quoted material appears in the
18 cited Office of Inspector General report; Defendants respectfully refer the Court to that
19 document for a full and accurate statement of its contents. As to the second sentence, deny that
20 the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

21 99. Defendants admit that California filed this action on December 14, 2017;
22 otherwise deny.

23 100. Defendants admit that Plaintiff filed its original complaint on December 14, 2017
24 and that on December 20, 2017, the Department issued the press release cited in footnote 38 of
25 the FAC. Defendants respectfully refer the Court to the cited press release for a full and accurate
26 statement of its contents. Defendants deny that the Department established a “Corinthian Full-
27 Relief Rule,” as defined by Plaintiff, and deny the allegation that the December 20, 2017 press
28

1 release “confirmed [the Department’s] abandonment of the Corinthian Full-Relief Rule and
2 announced its replacement.”

3 101. Defendants admit that the Department issued the press release cited in footnote 38
4 of the FAC, and respectfully refer the Court to that document for a full and accurate statement of
5 its contents.

6 102. As to the first sentence, Defendants admit that under the relief methodology
7 announced in the Department’s December 20, 2017 press release, successful borrower defense
8 claimants who attended Corinthian programs at which the average earnings is 90-100% of the
9 average earnings at comparable programs that earned a passing score under the Department’s
10 gainful employment regulations will receive a 10% discharge of outstanding loans related to
11 their borrower defense claim. Defendants deny that the Department established a “Corinthian
12 Full-Relief Rule,” as defined by Plaintiff, or that any student “would have received” any measure
13 of relief under such a “Rule.” Defendants lack knowledge or information sufficient to form a
14 belief about the truth of the allegations in the second sentence.

15 103. This paragraph consists of legal conclusions to which no response is required. To
16 the extent that a response is deemed required, denied.

17 104. Defendants admit that the Department issued the cited memorandum and press
18 release and respectfully refer the Court to those documents for a full and accurate statement of
19 their contents.

20 105. Defendants admit that in the December Press Release, the Department announced
21 that it had “approved for discharge 12,900 pending claims submitted by former [Corinthian]
22 students” under the process announced in that press release, and that “8,600 pending claims have
23 been denied.”

24 106. This paragraph consists of legal conclusions to which no response is required. To
25 the extent that a response is deemed required, deny that the Department’s application of the
26 borrower defense relief methodology announced in the December 20, 2017 press release to
27 borrowers with pending claims is retroactive. Further deny that the Department established a
28 “Corinthian Full-Relief Rule,” as defined by Plaintiff.

1 107. Defendants admit that this Court issued an Order on May 25, 2018 in *Manriquez*
2 *v. DeVos*, 3:17-cv-7210 (N.D. Cal.). Defendants respectfully refer the Court to the cited Order
3 for a full and accurate statement of its contents.

4 108. As to the first sentence, Defendants admit that the Department did not issue any
5 final decisions on borrower defense claims on December 14, 2017, the date Plaintiff filed its
6 original complaint, or on July 28, 2018, the date Plaintiff filed its FAC; otherwise, deny. The
7 second and sixth sentences consist of legal conclusions to which no response is required. To the
8 extent that a response is deemed required, denied. The allegations in the third sentence are
9 denied. The allegations in the fourth sentence are admitted. Regarding the fifth sentence,
10 Defendants deny that the “Partial-Relief Rule” was its “first and only step toward processing the
11 backlog” but admit that the methodology announced in the December Press Release was
12 enjoined by the Court.

13 109. Defendants deny that the Department has engaged in any unlawful conduct that
14 has harmed Corinthian borrowers.

15 110. Defendants lack knowledge or information sufficient to form a belief about the
16 truth of the allegations in this paragraph. To the extent that a response is deemed required, deny.

17 111. Defendants lack knowledge or information sufficient to form a belief about the
18 truth of the allegations in this paragraph. To the extent that a response is deemed required, deny
19 that Defendants caused any of the “indirect effects” described in this paragraph.

20 112. Defendants lack knowledge or information sufficient to form a belief about the
21 truth of the allegations in this paragraph. To the extent that a response is deemed required, deny.

22 113. Defendants lack knowledge or information sufficient to form a belief about truth
23 of the allegations in this paragraph.

24 114. Defendants lack knowledge or information sufficient to form a belief about the
25 truth of the allegations in this paragraph. To the extent a response is deemed required, deny that
26 the Department has “create[d] unnecessary disruption in the lives of students.”

27 115. This paragraph consists of legal conclusions to which no response is required. To
28 the extent that a response is deemed required, Defendants admit, with respect to the first two

1 sentences, that federal law restricts the ability of borrowers who have defaulted on their federal
2 student loans to obtain further grants, loans, or work-study assistance. Defendants respectfully
3 refer the Court to the cited statutes and regulations for a full and accurate statement of their
4 contents. Defendants lack knowledge or information sufficient to form a belief about the truth of
5 the allegations in the third, fourth, and fifth sentences.

6 116. Defendants lack knowledge or information sufficient to form a belief about the
7 truth of the allegations in the first sentence. To the extent that a response is deemed required,
8 deny. The second and third sentences consists of legal conclusions to which no response is
9 required. To the extent that a response is deemed required, admit that Plaintiff accurately
10 characterizes the cited regulations and respectfully refer the Court to those regulations for a full
11 and accurate statement of their contents.

12 117. This paragraph consists of legal conclusions to which no response is required. To
13 the extent that a response is deemed required, Defendants lack knowledge or information
14 sufficient to form a belief about whether the “further federal aid . . . would be available” to the
15 hypothetical “students” referenced in this paragraph “if full relief were granted.”

16 118. This paragraph consists of Plaintiff’s characterization of its First Amended
17 Complaint to which no response is required.

18 119. Defendants admit that interest accrues on the federal student loans of borrowers
19 with pending borrower defense claims and that, in the December Press Release, the Department
20 announced that it would apply a “credit to interest that accrues on loans starting one year after
21 the borrower defense application is filed.”

22 120. Defendants admit that the loans of borrowers who have not submitted a borrower
23 defense application, and who default on their federal student loans, are reported as defaulted to
24 credit reporting agencies. Defendants lack knowledge or information sufficient to form a belief
25 about whether any hypothetical borrower’s credit ratings are harmed by this practice. The
26 allegations regarding the Department “delay[ing]” or “withhold[ing]” the processing of claims
27 are legal conclusions to which no response is required. To the extent that a response is deemed
28 required, deny.

121. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, deny.

122. This paragraph consists of legal conclusions which no response is required. To the extent that a response is deemed required, deny that the Department engaged in illegal activity that harmed California borrowers or “California’s broader population.”

123. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations.

124. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations.

125. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations.

126. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, deny.

127. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in the first and second sentences. Defendants deny the characterization of the Department’s actions in the third sentence and lack knowledge or information sufficient to otherwise form a belief about the truth of the allegations in the third sentence. Regarding the fourth sentence, deny that the Department created a “Corinthian Full-Relief Rule,” as defined by Plaintiff, and Plaintiff’s characterization of the effect such a “rule” would have.

128. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph.

129. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph.

130. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph.

1 131. Defendants admit the first sentence. As to the second sentence, admit that the
2 federal government's role in regulating higher education has changed over time.

3 132. Admit.

4 133. Defendants lack knowledge or information sufficient to form a belief about the
5 level of California's interests alleged in the first and third sentences. The allegations in the
6 second sentence are admitted.

7 134. The first sentence consists of legal conclusions to which no response is required.
8 The allegations in the second sentence are admitted. Defendants lack knowledge or information
9 sufficient to form a belief about the truth of the allegations in the third sentence.

10 135. This paragraph consists of legal conclusions to which no response is required. To
11 the extent that a response is deemed required, admit that federal student loans cannot be
12 discharged under state law and refer the Court to the cited statute for a full and accurate
13 statement of its contents.

14 136. This paragraph contains legal conclusions to which no response is required. To
15 the extent a response is deemed required, Defendants lack knowledge or information sufficient to
16 form a belief about the truth of the allegations.

17 137. Defendants lack knowledge or information sufficient to form a belief about the
18 truth of the allegations in the first clause; they deny the allegations in the second clause.

19 138. This paragraph consists of legal conclusions to which no response is required. To
20 the extent a response is deemed required, deny.

21 139. Defendants deny that the Department has engaged in any unlawful conduct that
22 has harmed Corinthian borrowers.

23 140. This paragraph consists of legal conclusions to which no response is required. To
24 the extent that a response is deemed required, Defendants lack knowledge or information
25 sufficient to form a belief about the truth of the allegations. Defendants respectfully refer the
26 Court to the cited statutory provision for a full and accurate statement of its contents.

27 141. This paragraph consists of legal conclusions to which no response is required. To
28 the extent that a response is deemed required, deny.

1 142. This paragraph consists of legal conclusions to which no response is required. To
2 the extent that a response is deemed required, Defendants admit that Plaintiff accurately
3 characterizes the cited statute and regulation and respectfully refers the Court to the cited
4 authorities for a full and accurate statement of their contents.

5 143. Defendants lack knowledge or information sufficient to form a belief about the
6 truth of the allegations in this paragraph.

7 144. Defendants lack knowledge or information sufficient to form a belief about the
8 truth of the allegations in this paragraph.

9 145. Defendants lack knowledge or information sufficient to form a belief about the
10 truth of the allegations in this paragraph.

11 146. Defendants lack knowledge or information sufficient to form a belief about the
12 truth of the allegations in this paragraph.

13 147. Defendants lack knowledge or information sufficient to form a belief about the
14 truth of the allegations in this paragraph.

15 148. Defendants lack knowledge or information sufficient to form a belief about the
16 truth of the allegations in this paragraph.

17 149. This paragraph consists of legal conclusions to which no response is required. To
18 the extent that a response is deemed required, deny.

19 150. Defendants lack knowledge or information sufficient to form a belief about the
20 truth of the allegations in this paragraph.

21 151. Defendants lack knowledge or information sufficient to form a belief about the
22 truth of the allegations in this paragraph.

23 152. Defendants lack knowledge or information sufficient to form a belief about the
24 truth of the allegations in this paragraph.

25 153. Defendants lack knowledge or information sufficient to form a belief about the
26 truth of the allegations in this paragraph.

27 154. Defendants lack knowledge or information sufficient to form a belief about the
28 truth of the allegations in this paragraph.

1 155. Defendants lack knowledge or information sufficient to form a belief about the
2 truth of the allegations in this paragraph.

3 156. Defendants lack knowledge or information sufficient to form a belief about the
4 truth of the allegations in this paragraph.

5 157. Defendants lack knowledge or information sufficient to form a belief about the
6 truth of the allegations in this paragraph.

7 158. Defendants lack knowledge or information sufficient to form a belief about the
8 truth of the allegations in this paragraph.

9 159. Defendants lack knowledge or information sufficient to form a belief about the
10 truth of the allegations in this paragraph.

11 160. Defendants lack knowledge or information sufficient to form a belief about the
12 truth of the allegations in this paragraph.

13 161. This paragraph consists of legal conclusions to which no response is required. To
14 the extent that a response is deemed required, Defendants lack knowledge or information
15 sufficient to form a belief about the truth of the allegations in the first, second, fourth, fifth, sixth,
16 seventh, and ninth sentences. Regarding the third sentence, Defendants admit that 20 U.S.C.
17 § 1087-51(a) provides that one of its purposes is to “encourage students receiving Federal
18 student financial assistance to participate in community service activities that will benefit the
19 Nation and engender in the students a sense of social responsibility and commitment to the
20 community.” Defendants respectfully refer the Court to the cited statute for a full and accurate
21 statement of its contents. Regarding the eighth sentence, Defendants admit that students who
22 have defaulted on their federal student loans are ineligible to participate in the Federal Work-
23 Study Program, and respectfully refer the Court to the cited authorities for a full and accurate
24 statement of their contents.

25 162. As to the first sentence, Defendants admit that the Department requested that the
26 California Attorney General conduct outreach to borrowers covered by the Department’s
27 Corinthian job placement rate findings, but deny that the Department established a “Corinthian
28

Full-Relief Rule,” as defined by Plaintiff. Defendants otherwise lack knowledge or information sufficient to form a belief about the truth of the allegations in this paragraph.

163. As to the third sentence, admit that the Department’s partial discharge methodology was enjoined in May 2018. Otherwise, the allegations in this paragraph are denied.

164. Defendants admit that tens of thousands of borrower defense claims are currently pending, and that some claims have been pending for more than three years.

165. As to the first sentence, admit that the Department did not make any final determinations on pending borrower defense claims on July 27, 2018, the date Plaintiff filed its First Amended Complaint. As to the second sentence, deny.

166. Defendants lack knowledge or information sufficient to form a belief as to what California “would not have” and “could have” done in the hypothetical scenarios described in this paragraph.

167. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants answer as follows. With respect to the first sentence, admit that a prior version of the Department’s borrower defense regulation, 34 C.F.R § 685.206(c) (1995), allowed a borrower to assert as a defense to repayment “any act or omission of the school attended by the student that would give rise to a cause of action against the school under applicable State law.” Defendants otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in the first paragraph. As to the second sentence, admit that in applications of 34 C.F.R. § 685.206(c) (1995) prior to 2015, the Department examined state law to determine whether a borrower should receive loan relief, in terms of the applicable cause of action, and to determine the amount of relief. The third and fifth sentences are premised on the contention that the Department “formulat[ed],” “administ[ered],” or “establish[ed]” a “Corinthian Full-Relief Rule,” which is a legal conclusion to which no response is required. To the extent a response is deemed required, Defendants deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff. As to the fourth sentence, admit that the Department stated, in a notice of proposed rulemaking concerning borrower defense on June 16, 2016, that the borrower defense standard in place at that time was

1 “wholly dependent upon State law.” Defendants respectfully refer to the Court to the Federal
2 Register notice cited in footnote 45 of the FAC for a full and accurate statement of its contents.

3 168. This paragraph consists of legal conclusions to which no response is required. To
4 the extent a response is deemed required, denied.

5 169. Defendants deny the allegations in the first sentence of this paragraph. The
6 second and third sentences consists of legal conclusions to which no response is required. To the
7 extent that a response is deemed required, Defendants deny that “full restitution” is the only
8 available remedy under California law for Corinthian borrowers covered by the Department’s job
9 placement rate findings. Defendants respectfully refer the Court to the cited Superior Court
10 decision for a full and accurate statement of its contents.

11 170. Deny.

12 171. Defendants repeat and incorporate by reference their responses to all preceding
13 paragraphs.

14 172. This paragraph consists of legal conclusions to which no response is required. To
15 the extent that a response is deemed required, Defendants admit that Plaintiff accurately quotes
16 the APA and respectfully refer the Court to that statute for a full and accurate statement of its
17 contents.

18 173. This paragraph consists of legal conclusions to which no response is required. To
19 the extent that a response is deemed required, denied.

20 174. This paragraph consists of legal conclusions to which no response is required. To
21 the extent that a response is deemed required, denied.

22 175. This paragraph consists of legal conclusions to which no response is required. To
23 the extent that a response is deemed required, admit that the Department has provided or
24 attempted to provide notice to students covered by its findings regarding Corinthian’s misleading
25 job placement rates of their ability to seek loan relief under the Department’s borrower defense
26 regulation. Otherwise, denied.

27 176. This paragraph consists of legal conclusions to which no response is required. To
28 the extent that a response is deemed required, admit that tens of thousands of borrowers have

submitted borrower defense claims, and deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

177. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, admit that before January 20, 2017, the Department discharged relevant student loan debts of, and refunded amounts paid to attend Corinthian programs to, approximately 28,000 Corinthian students. Defendants deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

178. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, admit that in December 2017, the Department announced a partial discharge methodology, pursuant to which some borrower defense claimants would receive discharges of less than 100% of their loans taken to attend programs covered by the Department’s Corinthian job placement rate findings. Otherwise, denied.

179. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

180. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

181. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

182. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

183. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

184. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

185. This paragraph consists of legal conclusions and a request for relief to which no response is required. To the extent that a response is deemed required, denied.

186. Defendants repeat and incorporate by reference their responses to all preceding paragraphs.

1 187. This paragraph consists of legal conclusions to which no response is required. To
2 the extent that a response is deemed required, Defendants admit that Plaintiff accurately quotes
3 the APA and respectfully refer the Court to that statute for a full and accurate statement of its
4 contents.

5 188. This paragraph consists of legal conclusions to which no response is required. To
6 the extent that a response is deemed required, denied.

7 189. This paragraph consists of legal conclusions to which no response is required. To
8 the extent that a response is deemed required, denied.

9 190. This paragraph consists of legal conclusions to which no response is required. To
10 the extent that a response is deemed required, deny that the Department established or
11 “implement[ed]” a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

12 191. This paragraph consists of legal conclusions to which no response is required. To
13 the extent that a response is deemed required, admit that before January 20, 2017, the
14 Department discharged relevant student loan debts of, and refunded amounts paid to attend
15 Corinthian programs to, approximately 28,000 Corinthian students. To the extent the
16 “procedures” referenced in this paragraph refer to Plaintiff’s allegations in paragraph 190 of the
17 FAC that the Department “established streamlined procedures” “[t]o implement the Corinthian
18 Full-Relief Rule,” Defendants deny that the Department established a “Corinthian Full-Relief
19 Rule,” as defined by Plaintiff.

20 192. This paragraph consists of legal conclusions to which no response is required. To
21 the extent that a response is deemed required, deny that the Department established a “Corinthian
22 Full-Relief Rule,” as defined by Plaintiff.

23 193. This paragraph consists of legal conclusions to which no response is required. To
24 the extent that a response is deemed required, admit that tens of thousands of borrower defense
25 claims submitted by Corinthian students are currently pending and that new claims continue to
26 be filed, but deny that the Department has “already determined” that any student who has
27 submitted a currently pending claim is entitled to “expedited, full relief.”
28

1 194. This paragraph consists of legal conclusions to which no response is required. To
2 the extent that a response is deemed required, denied.

3 195. This paragraph consists of legal conclusions to which no response is required. To
4 the extent that a response is deemed required, denied.

5 196. Defendants refer the Court to their responses to paragraphs 58-67 of the FAC,
6 *supra*, which respond to Plaintiff's allegations concerning "widely disseminated public
7 statements by ED." To the extent that a further response is deemed required, Defendants lack
8 knowledge or information sufficient to form a belief about the truth of the allegations to the
9 extent that "numerous public statements" is vague and undefined in this context.

10 197. Admit that tens of thousands of Corinthian students who submitted borrower
11 defense applications have been waiting more than 18 months for final adjudication of their
12 claims.

13 198. This paragraph consists of legal conclusions to which no response is required. To
14 the extent that a response is deemed required, Defendants admit that in a June 4, 2015 request to
15 the Office of Management and Budget, FSA referred to the Department's "legal responsibility to
16 timely" adjudicate borrower defense applications. *See* FAC ¶ 41 and n.5.

17 199. Defendants admit that the FSA Borrower Defense Unit estimated, in October
18 2016, that it would resolve pending eligible borrower defense claims based upon the
19 Department's job placement rate findings for Corinthian students by spring 2017 and that claims
20 remained pending as of spring 2017 and currently. Otherwise, denied.

21 200. This paragraph consists of legal conclusions to which no response is required. To
22 the extent that a response is deemed required, denied.

23 201. This paragraph consists of legal conclusions to which no response is required. To
24 the extent that a response is deemed required, denied.

25 202. This paragraph consists of legal conclusions and a request for relief to which no
26 response is required. To the extent that a response is deemed required, denied.

27 203. Defendants repeat and incorporate by reference their responses to all preceding
28 paragraphs.

204. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants admit that Plaintiff accurately quotes the APA and respectfully refer the Court to that statute for a full and accurate statement of its contents.

205. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

206. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

207. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

208. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, admit that before January 20, 2017, the Department discharged relevant student loan debts of, and refunded amounts paid to attend Corinthian programs to, approximately 28,000 Corinthian students. Defendants deny that the Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

209. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

210. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, denied.

211. This paragraph consists of legal conclusions and a request for relief to which no response is required. To the extent that a response is deemed required, denied.

212. Defendants repeat and incorporate by reference their responses to all preceding paragraphs.

213. This paragraph consists of legal conclusions to which no response is required. To the extent that a response is deemed required, Defendants admit that Plaintiff accurately quotes the APA and respectfully refer the Court to that statute for a full and accurate statement of its contents.

1 214. This paragraph consists of legal conclusions to which no response is required. To
2 the extent that a response is deemed required, admit that before January 20, 2017, the
3 Department discharged relevant student loan debts of, and refunded amounts paid to attend
4 Corinthian programs to, approximately 28,000 Corinthian students. Defendants deny that the
5 Department established a “Corinthian Full-Relief Rule,” as defined by Plaintiff.

6 215. This paragraph consists of legal conclusions to which no response is required. To
7 the extent that a response is deemed required, admit that in December 2017, the Department
8 announced a partial discharge methodology, pursuant to which some borrower defense claimants
9 would receive discharges of less than 100% of their loans taken to attend programs covered by
10 the Department’s Corinthian job placement rate findings. Otherwise, denied.

11 216. Admit that the new discharge process announced in the December Press Release
12 applies to borrowers covered by the Department’s Corinthian job placement rate findings.

13 217. Defendants lack knowledge or information sufficient to form a belief about the
14 truth of the allegations in this paragraph.

15 218. This paragraph consists of legal conclusions and a request for relief to which no
16 response is required. To the extent that a response is deemed required, denied.

17 219-230. These paragraphs relate to claims that have been dismissed and thus no
18 response is required.

19 The remaining unnumbered paragraphs in the FAC contain a request for relief to which
20 no response is required. To the extent a response is deemed required, Defendants deny that
21 Plaintiff is entitled to the relief requested or to any relief.

22 THEREFORE, having fully answered, Defendants assert that Plaintiff is not entitled to
23 the relief requested, or to any relief whatsoever, and request that this action be dismissed with
24 prejudice and that Defendants be given such other relief as the Court deems just and proper.
25 Each and every allegation of the FAC not heretofore expressly admitted or denied is hereby
26 denied.

1 DATED: August 9, 2019

Respectfully submitted,

2
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